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(Securities Code 9936)
June 7, 2016

To Shareholders with Voting Rights:

Naoto Watanabe
President
OHSHO FOOD SERVICE CORP.
294-1 Ibanoue-cho, Nishinoyama,
Yamashina-ku, Kyoto, Japan

NOTICE OF
THE 42ND ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

You are cordially invited to attend the 42nd Ordinary General Meeting of Shareholders (the "Meeting") of OHSHO FOOD SERVICE CORP. (the "Company"), to be held as set forth below.

If you are unable to attend the Meeting, you may exercise your voting rights in writing or via the Internet, etc. Please review the Reference Documents for the General Meeting of Shareholders described hereinafter, and exercise your voting rights by no later than 6 p.m. on Monday, June 27, 2016, Japan time.

1. **Date and Time:** Tuesday, June 28, 2016, at 1 p.m. Japan time (reception will open at noon)
2. **Place:** Mizuho Room, West Tower 4F, The Westin Miyako Kyoto
   Sanjokeage, Higashiyama-ku, Kyoto
   (Please refer to the guide to the venue where the Ordinary General Meeting of Shareholders will be held at the end of this document.)
3. **Meeting Agenda:**
   Matters to be reported: The Business Report and Non-Consolidated Financial Statements for the Company's 42nd Fiscal Year (April 1, 2015–March 31, 2016).
   Proposals to be resolved:
   Proposal No. 1: Appropriation of Surplus
   Proposal No. 2: Election of Two (2) Directors
   Proposal No. 3: Election of Two (2) Corporate Auditors
   Proposal No. 4: Election of One (1) Substitute Corporate Auditor

Notes:

1. When attending the Meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk at the venue.
2. Please be advised that persons other than shareholders, such as proxy agents who are not shareholders or those accompanying shareholders, are not allowed to participate in the General Meeting of Shareholders. According to the Company's Articles of Incorporation, you may exercise your voting rights through a proxy who shall be another shareholder of the Company with voting rights; provided, however, that the proxy must present written proof of his/her power of representation at the Meeting.
3. Pursuant to provisions of laws and regulations, as well as Article 18 of the Articles of Incorporation, the Notes to Non-Consolidated Financial Statements are not attached to this notice and are instead presented on the Company's Website (http://www.ohsho.co.jp).
   Accordingly, the Appendix to this notice is part of the Non-Consolidated Financial Statements audited by the Accounting Auditor for preparing the Accounting Auditor's Audit Report.
4. Any updates to the Appendix and the Reference Materials for the General Meeting of Shareholders will be posted on the Company's Website at the following URL: http://www.ohsho.co.jp.

Reference Documents for the General Meeting of Shareholders

Proposals and Reference

Proposal No. 1: Appropriation of Surplus

The Company considers it as one of the important managerial tasks to ensure long-term returns of profits to our shareholders, while reinforcing its financial strength and operating foundations. Based on this policy, considering that profits should be directly returned to shareholders in view of the progress of the profit planning for the fiscal year under review, the Company proposes year-end dividends for the fiscal year ended March 31, 2016, to be ¥60 per share, an increase of ¥10 from the previous fiscal year.

In addition, construction of our flagship Higashimatsuyama Plant was completed in February 2016. Accordingly, to express our gratitude to our shareholders, the Company proposes to distribute a commemorative dividend of ¥5 per share in conjunction with the year-end dividend.

1. Matters concerning year-end dividends

   (1) Type of dividend assets: Cash

   (2) Matters concerning the allocation of dividend assets to be paid to shareholders and total dividend amount:
   ¥65 per share of common stock, for a total of ¥1,247,101,115 (ordinary dividend: ¥60, commemorative dividend: ¥5)
   As an interim dividend of ¥60 per share was already paid, the total annual dividend for the fiscal year will be ¥125 per share.

   (3) Effective date of dividend payout: June 29, 2016

Proposal No. 2: Election of Two (2) Directors

To further reinforce its management system, the Company proposes to increase the number of Directors by two (2) and elect such Directors. The terms of office of said Directors shall be until the expiry of other incumbent Directors' term of office, in accordance with the relevant provision of the Articles of Incorporation of the Company.

The candidates for Director are as follows:

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of the Company's shares held
1	Yutaka Kiso (July 23, 1973) New nomination	April 2000 Prosecutor, Tokyo District Public Prosecutor's Office January 2008 Joined Kitahama Partners L.P.C. January 2009 Appointed as Partner, Kitahama Partners L.P.C. June 2015 Corporate Auditor of the Company (to present)	—

■ Reason for nominating him as Director:
Because he has professional knowledge and experience as a lawyer and is well-versed in the Company's business as a Corporate Auditor thereof, we judge that he will be able to sufficiently fulfill the duties as a Director.

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of the Company's shares held
2	Chikara Sekijima (December 13, 1955) New nomination Outside Director candidate	April 1980 Joined Asahi Breweries, Ltd. October 2005 General Manager of Niigata Branch, Asahi Breweries, Ltd. September 2008 General Manager of Osaka Administrative Office, Asahi Breweries, Ltd. March 2011 Director of Hokkaido district, Asahi Breweries, Ltd. January 2013 Executive Officer, Director of Kinki district, Asahi Breweries, Ltd. March 2016 Adviser, Asahi Group Holdings, Ltd. (to present) March 2016 General Manager, Asahi Guest House, Asahi Breweries, Ltd. (to present) [Significant concurrent positions] Adviser, Asahi Group Holdings, Ltd. General Manager, Asahi Guest House, Asahi Breweries, Ltd.	—

■ Reason for nominating him as Director:
As he has abundant experience in sales and past accomplishments in corporate management as a corporate officer at Asahi Breweries, Ltd. over the years, we judge that he will be able to give useful advice for the management of the Company.

(Notes) 1. There is no material conflict of interest between the Company and any of the candidates for Director.
2. Mr. Chikara Sekijima is a candidate for Outside Director as provided for in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.
3. If the appointment of Mr. Chikara Sekijima is approved, the Company will enter into an agreement with the candidate, pursuant to the Company's Articles of Incorporation, to limit his liability for damages prescribed in Article 423, Paragraph 1, of the Companies Act, in accordance with Article 427, Paragraph 1, of said Act; provided, however, that the maximum amount of liability under said agreement shall be the higher of ¥5 million or the minimum amount prescribed by laws and regulations.

4. Mr. Yutaka Kiso is an incumbent Corporate Auditor of the Company. He will resign from this position at the conclusion of this General Meeting of Shareholders.
5. Mr. Yutaka Kiso is currently a partner of Kitahama Partners L.P.C. If he is elected as a Director, he will resign from the position of Partner of Kitahama Partners L.P.C. as of June 28, 2016.

Proposal No. 3: Election of Two (2) Corporate Auditors

Corporate Auditor Yutaka Kiso will resign from the office and the term of office of Corporate Auditor Yutaka Nakamura will expire at the conclusion of this General Meeting of Shareholders. Therefore, the election of two (2) Corporate Auditors is proposed.

As Mr. Tetsuya Hara was nominated for Corporate Auditor to fill the vacancy caused by the resignation of Mr. Yutaka Kiso, pursuant to the Company's Articles of Incorporation, his term of office will be until the time when Mr. Kiso's term would expire if he had not resigned.

This proposal has received the consent of the Board of Corporate Auditors.

The candidates for Corporate Auditor are as follows:

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of the Company's shares held
1	Masatoshi Takahashi (October 24, 1946) New nomination Outside Corporate Auditor candidate	April 1969 Joined Asahi Breweries, Ltd. September 1998 Senior Officer, General Manager of Nagoya Branch, Asahi Breweries, Ltd. March 2000 Executive Officer, Senior General Manager of Chubu Regional Headquarters, Asahi Breweries, Ltd. September 2001 Executive Officer, Senior General Manager of Alcoholic Beverages Headquarters, Asahi Breweries, Ltd. September 2003 Managing Executive Officer, Senior General Manager of Kinkiken Regional Headquarters, Asahi Breweries, Ltd. March 2006 Senior Managing Director, Asahi Breweries, Ltd. March 2011 Resigned from the position.	1,000 shares

■ Reason for nominating him as Outside Corporate Auditor:

As he has broad knowledge and experience in corporate management, we judge that he will be able to appropriately audit the execution of duties by Directors from an objective perspective as a professional manager.

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of the Company's shares held
2	Tetsuya Hara (July 1, 1947) New nomination Outside Corporate Auditor candidate	March 1970 Joined Tokyo Metropolitan Police Department September 2006 Retired from Tokyo Metropolitan Police Department October 2006 Executive Officer, MITSUMOTO COFFEE Co., Ltd. April 2009 Executive Director, Public Interest Incorporated Foundation Tokyo Center for Removal of Criminal Organizations September 2010 Representative Director, Public Interest Incorporated Foundation Tokyo Center for Removal of Criminal Organizations June 2015 Advisor, Public Interest Incorporated Foundation Tokyo Center for Removal of Criminal Organizations April 2016 Auditor, Sankyo Co., Ltd. (to present) [Significant concurrent positions] Auditor, Sankyo Co., Ltd.	—

■ Reason for nominating him as Outside Corporate Auditor:

He has work experience at Tokyo Metropolitan Police Department and public company, as well as broad experience as Auditor and Director at an incorporate foundation, thereby having sufficient insight into controlling corporate management. Accordingly, we judge that he will be able to adequately fulfill the duties as an Outside Corporate Auditor.

(Notes) 1. There is no material conflict of interest between the Company and any of the candidates for Corporate Auditor.

2. Mr. Masatoshi Takahashi and Mr. Tetsuya Hara are candidates for Outside Corporate Auditor as provided for in Article 2, Paragraph 3, Item 8 of the Ordinance for Enforcement of the Companies Act. The Company intends to designate Mr. Tetsuya Hara as an Independent Auditor stipulated under the regulations of the Tokyo Stock Exchange, and submit filings with said Exchange.

3. If the appointment of each candidate for Outside Corporate Auditor is approved, the Company will enter into agreement with each of the candidates, pursuant to the Company's Articles of Incorporation, to limit their liability for damages prescribed in Article 423, Paragraph 1 of the Companies Act, in accordance with Article 427, Paragraph 1, of said Act; provided, however, that the maximum amount of liability under said agreement shall be the higher of ¥5 million or the minimum amount prescribed by laws and regulations.

Proposal No. 4: Election of One (1) Substitute Corporate Auditor

The resolution on the appointment of Mr. Masakatsu Takemoto as a Substitute Corporate Auditor made at the 41st Ordinary General Meeting of Shareholders held on June 26, 2015 will expire at the opening of this General Meeting of Shareholders. It is therefore proposed that one (1) Substitute Corporate Auditor be elected in case of the vacancy of the statutory number of Corporate Auditors.

This proposal has received the consent of the Board of Corporate Auditors.

The candidate for Substitute Corporate Auditor is as follows.

Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions		Number of the Company's shares held
Toshikazu Shikata (August 10, 1949) Substitute Corporate Auditor candidate	April 1973	Joined Bank of Kyoto, Ltd.	—
	January 1993	Joined FALCO biosystems Ltd.	
	December 1995	Director, FALCO biosystems Ltd.	
	May 2000	President and Representative Director, FALCO LIFE SCIENCE Ltd.	
	December 2000	Director, NPO Japan Institute of Food Safety	
	July 2004	Advisor, Japan Registered Clinical Laboratories Association	
	December 2007	Managing Director, FALCO biosystems Ltd.	
	March 2010	Managing Director, FALCO SD HOLDINGS Co., Ltd.	
	June 2013	Advisor, FALCO SD HOLDINGS Co., Ltd.	
	August 2013	Advisor, Roman Life Inc.	

■ Reason for nominating him as Substitute Outside Corporate Auditor:

Based on his abundant experience in a financial institution and broad insight in overall corporate management over the years, we judge that he will be able to appropriately audit the Company's management.

(Notes) 1. There is no material conflict of interest between the Company and the candidate.

2. Mr. Toshikazu Shikata is a candidate for Substitute Outside Corporate Auditor.

3. When a candidate for Substitute Outside Corporate Auditor assumes the office of Corporate Auditor, the Company will enter into agreement with the candidate, pursuant to the Company's Articles of Incorporation, to limit his liability for damages prescribed in Article 423, Paragraph 1 of the Companies Act, in accordance with Article 427, Paragraph 1, of said Act; provided, however, that the maximum amount of liability under said agreement shall be the higher of ¥5 million or the minimum amount prescribed by laws and regulations.

(Appendix)

Business Report

42nd Term
(April 1, 2015–March 31, 2016)

1. Overview of the Company

(1) Business progress and achievement

Summary of results of operations			
	Amount (Millions of yen)	% to sales	YoY change
Net sales	75,317	100.0	Down 0.6%
Operating income	6,269	8.3	Up 3.1%
Ordinary income	6,544	8.7	Up 1.9%
Net income	4,068	5.4	Up 10.5%
・ Number of customers at all stores (directly operated stores): down 4.3% YoY (down 5.3% at existing stores) ・ Sales amount at existing stores (directly operated stores): down 1.8% YoY			

During the fiscal year ended March 31, 2016, the Federal Reserve Board raised interest rates against the backdrop of a steady recovery of the U.S. economy after a lapse of 9.5 years, deviating from the zero-interest rate policy of the previous seven years, and new investments were promoted due to the emerging FinTech, which provides innovation for global financial systems. On the other hand, affected by the slowdown of the economies of emerging countries including China, a spontaneous worldwide decline in stock values occurred, and crude oil prices dropped due to the widespread prediction of a future decline in demand, which continues to inflict heavy damage on the economies of resource-producing countries. The sense of uncertainty about the future was seen in the trends of the foreign exchange markets and consumer markets, reflecting negative factors such as the Greece debt issue, U.K.'s possible departure from the European Union, simultaneous terrorist attacks in Europe and a record number of refugees and displaced people worldwide.

In this global economic environment, with the initial implementation of Japan's Corporate Governance Code, Japan's economy showed several favorable movements including positive phenomena such as the improvement of corporate profits and the employment situation, advantages due to the fall in crude oil prices and the number of international visitors to Japan in fiscal 2015 reaching a record high. In addition, the cabinet decision of the draft for regulatory control of virtual currencies such as Bitcoin and the governmental policy of reducing the effective income tax rate for corporations to 29.97% effective from fiscal 2016 raised expectations for further activation of the Japanese economy. Nevertheless, consumer spending failed to grow affected by concerns about price increases due to yen depreciation and the rise in the consumption tax rate scheduled for the next fiscal year, equity investment in Japanese stocks by foreign investors decreased, resulting in net selling on balance after a seven-year lapse, and a trend of a shortage in buyers for stocks and bonds was seen in the market. The aforesaid circumstances make the outlook for the future economy far from reassuring with a sense of uncertainty about the future trends of the consumer market.

The restaurant industry underwent negative effects such as hikes in raw material prices mainly due to heavy rainfall, a cold wave and yen depreciation and the rise in personnel expenses due to the predicament of labor supply-demand. Opportunities to eat at restaurants are anticipated to increase among people partly supported by the active governmental support of women's advance into society toward the realization of its "100 million total active society" policy. However, dining-out-related accounts will be excluded from the reduced tax rate of the scheduled consumption tax rate hike and the entry of new participants from other industries such as the convenience store industry is expected to be further intensified. Moreover, it has become urgent for the industry to improve the problematic custom of long working hours and ensure workers are offered paid vacations, given the business environment of many corporations, in which the recruiting plans for university graduates tend not to be achieved mainly due to the negative image of severe working conditions. Market players that do not take improvement

measures might be forced to withdraw from the industry. Accordingly, the harsh operating environment persisted, resulting in uncertainty about the future of consumer trends.

Amid these conditions, the Company carried out several new initiatives, including an increase in base salary for the third consecutive year, an increase in dividends, the introduction of a diversified working modality such as area-based and short-time work, the release of new menus by the OHSHO female team and the opening of the "GYOZA OHSHO Karasuma Oike" store to practice comfortable and speedy hospitality mainly targeting female customers. Meanwhile, as one year has passed since switching wholly to domestic production for the key ingredients in our *gyoza* and noodles, we carried out a sales promotion campaign with domestically produced *gyoza* as the main feature, including the anniversary sale of domestic *gyoza* and the public release of arranged recipes for takeout *gyoza*, a joint project with Cookpad Inc. In addition, the enhanced use of ingredients domestically produced is steadily under way with initiatives such as sales of local cuisines by prefecture to emphasize local food ingredients and food culture and the conversion of all food ingredients to those domestically produced for *subuta*, a popular menu item. We believe that the key role of the flagship Higashimatsuyama Plant covering mainly East Japan but partly nationwide is to develop private-brand products (semi-processed products to reduce average cooking time after an order is received at each store from five to two minutes), which would serve to improve store productivity, as well as to achieve product sales, development and production supported by adequate market research. Based on such a positioning of the plant, we will continue to pursue and develop comfortable and speedy hospitality through the provision of delicious and healthy, safe, secure and hygienic foods by determining what customers desire from our restaurants and plants, what customer needs are and/or whether we can serve products and services that properly meet such demand. Meanwhile, the Company has joined KEIDANREN (Japan Business Federation) to evolve as a corporation that contributes to the further growth of the Japanese economy. In addition, the Company established an independent third-party committee with the aim of confirming that the Company has no relationship with antisocial forces and has disclosed reports that have proven no such relationship exists. Nevertheless, the Company apologizes that you might have concerns about several media reports that spotlighted some unfair previous transactions of the Company with somewhat biased expressions although the processing for such improper transactions had been wholly completed for accounting purposes. We intend to improve and evolve our corporate governance system through a reflective commitment to such recommendations in our committee reports.

Regarding the store network in the current fiscal year, six (6) directly operated stores and nine (9) franchised stores were opened primarily in the Kanto and Kansai areas, two (2) franchised stores shifted to directly operated ones and five (5) directly operated stores and six (6) franchised stores were closed. At the end of the current fiscal year, the total network consisted of 473 directly operated stores and 233 franchised stores.

As a result, net sales decreased ¥454 million (0.6%) year over year to ¥75,317 million, affected by a reduction of operating hours equivalent to approximately 20,000 hours per month, which was executed to improve the work environment and productivity, and the reduced number of customers at stores mainly due to the reduction of discount sales of *gyoza*.

Operating income increased ¥186 million (3.1%) year over year to ¥6,269 million after taking into account the reporting of unpaid wages in the previous year and decreases in gas charges and in depreciation.

Ordinary income increased ¥119 billion (1.9%) year over year to ¥6,544 million due to the above despite the reporting of a donation for disaster relief of ¥50 million for the victims of an intense rainfall disaster that occurred in Hiroshima last year and an additional donation for disaster relief of ¥30 million at the fifth anniversary of the Great East Japan Earthquake.

Net income increased ¥385 million (10.5%) year over year to ¥4,068 million due to the above, the reduction in corporate income tax and the reporting of Directors' condolence money despite the reporting of a third-party committee's cost of investigation and an impairment loss.

[Net sales]

Accounting period / Category	Previous fiscal year From April 1, 2014, to March 31, 2015			Current fiscal year From April 1, 2015, to March 31, 2016		
	Number of stores	Amount (Millions of yen)	Composition ratio (%)	Number of stores	Amount (Millions of yen)	Composition ratio (%)
Directly operated stores	470	69,542	91.8	473	68,861	91.4
Franchised stores	232	6,229	8.2	233	6,456	8.6
Total	702	75,772	100.0	706	75,317	100.0

Note: The number of stores is as of March 31 of the respective fiscal years.

[Net sales at directly operated stores by area]

Period / Area classification	Previous fiscal year From April 1, 2014, to March 31, 2015			Current fiscal year From April 1, 2015, to March 31, 2016		
	Number of stores	Amount (Millions of yen)	Composition ratio (%)	Number of stores	Amount (Millions of yen)	Composition ratio (%)
Kansai area	223	35,034	50.4	223	34,430	50.0
(Kyoto)	(40)	(6,851)	(9.9)	(42)	(6,699)	(9.7)
(Osaka)	(108)	(15,668)	(22.5)	(108)	(15,350)	(22.3)
(Hyogo)	(35)	(5,620)	(8.1)	(35)	(5,656)	(8.2)
(Shiga)	(16)	(3,048)	(4.4)	(15)	(2,954)	(4.3)
(Nara)	(15)	(2,496)	(3.6)	(14)	(2,415)	(3.5)
(Wakayama)	(9)	(1,349)	(1.9)	(9)	(1,353)	(2.0)
Hokkaido area	14	1,797	2.6	16	1,786	2.6
Tohoku area	4	546	0.8	4	525	0.8
Kanto area	116	16,383	23.5	118	16,642	24.2
Koshinetsu area	8	891	1.3	8	866	1.3
Tokai area	49	7,750	11.1	48	7,607	11.0
Hokuriku area	17	2,088	3.0	16	2,019	2.9
Chugoku & Shikoku	16	1,800	2.6	17	1,792	2.6
Kyushu area	23	3,249	4.7	23	3,191	4.6
Total	470	69,542	100.0	473	68,861	100.0

(2) Capital investments

The Company made capital investments in the total amount of ¥7,990 million for the fiscal year ended March 31, 2016. The main investments were as follows.

Newly established plant:

Higashimatsuyama Plant (Saitama)

Newly opened directly operated stores:

AEON MALL Asahikawa-nishi store and AEON SAPPORO MOTOMACHI store (Hokkaido); Koenji store and Okachimachi Minamiguchi store (Tokyo); GYOZA OHSHO Karasuma Oike store (Kyoto); and ArioYao store (Osaka): total 6 stores

Renovated directly operated stores:

Asakusabashi Ekimae store and Kamata Higashiguchi store (Tokyo); Komba Ekimae store (Saitama); Nishishiroi store (Chiba); Komaki Futaebori store (Aichi); Kakamigahara Unuma store (Gifu), Kyoto Higashi Inter store and Kokudo Okubo store (Kyoto); and Suminoe Ekimae store

(Osaka): total 9 stores

(3) Financing

The Company aims to stabilize and improve the efficiency of its mid-medium- to long-term financing foundation. The funds for capital investments have been mainly procured as long-term loans payable, whereas its own funds have been applied to the Company's working capital. The Company has arranged its fund procurement system to cope even with emergency spending by establishing the framework of a ¥36 billion maximum overdraft amount from 10 banks, jointly with the liquidity on hand (deposits).

(4) Basic management policy of the Company

The Company Group's basic management policy is as follows:

"We respect diversity that derives from the participation of both women and men;

We pursue and develop comfortable and speedy hospitality through the provision of delicious and healthy, safe, secure and hygienic foods to customers;

We always act sincerely;

We strive to continually improve the individual character and abilities of employees; and

We contribute to the development of society by ensuring customer satisfaction through our daily practices and the results thereof and by realizing the happiness of all our employees."

Complying with laws and regulations, social norms and corporate ethics, we will continue to ensure the further satisfaction of our stakeholders by making a work environment brimming with happiness and smiles of all employees by appropriately using the profits obtained through enhanced effective and efficient corporate management. In addition, we aim to realize sustainable growth and raise the long-term corporate value of the Company on the assumption that ensuring the transparency and fairness of decision making, fully utilizing the currently held management resources and upgrading management morale via prompt and bold decision making are prerequisites for corporate governance. In addition to the directly operated store structure and the independent store opening program for employees, we pursue other possibilities such as the participation of local external parties who are acquainted with local circumstances as franchisees, M&As based on a spirit of coexistence and co-prosperity, and various collaborative projects in terms of sales, production and business development. With these initiatives, we aim to create a food service chain network that contributes to the development of local communities to pursue higher corporate value by making every store a "space that offers dining for the everyday healthy meals of local residents including breakfast, lunch and dinner."

(5) Management indices

The Group focuses on maintaining an appropriate level of cost percentage and cost management, and the operating margin, a basic profit measure, is adopted as the most important management indicator. Our management target is to achieve and maintain an operating margin of 10% or higher for several years. Moreover, a dividend payout ratio of 40% or more and a total return ratio of 100% are our medium-term targets on the return of profits to shareholders.

(6) Issues to be addressed

A harsh operating environment is expected to persist, affected by adverse factors such as the shrinking market size along with the trends of a low birthrate and an aging population; intensifying market competition due to the entry of other industries, such as the convenience store industry; a declining workforce; increasing raw material prices; diversifying consumer needs; increasing consumer awareness of safety, security, health and sanitation; and consumers' enhanced thriftiness to cope with the scheduled rise in the consumption tax rate to 10%.

Under these circumstances, toward the target of 1,000 store openings, we constructed a cutting-edge plant in Higashimatsuyama, Saitama, by investing about ¥8 billion as a strategic move to increase store openings in the Tokyo metropolitan area. At this new plant, we especially promoted mechanization-focused, unmanned operations of production lines and implemented a new "*Gyoza* preforming system" aimed at improving productivity and *gyoza* quality. We believe that we can provide customers with *gyoza* that is increasingly secure, safe and delicious. We now plan to produce *gyoza*, Ohsho's flagship product and a kind of Japanese soul food as a variation of Japan's traditional cuisine ("*washoku*"), while envisioning expanded sales channels and diversified distribution channels. Moreover, we intend to pursue an upgraded side menu strategy that skillfully arranges French, Italian, Turkish and Japanese dishes in the Ohsho style by taking advantage of the core Chinese cooking techniques to develop the slogan of "Theme Park of Dining," a

corporate characteristic since our foundation. Furthermore, we will strive to create customer satisfaction; solicit numerous visitors from abroad as potential customers; raise organizational effectiveness and efficiency by anticipating future business growth; and focus on developing talented human resources based on the recognition that the following policies are our priorities.

1) Sustainable growth

a. Store opening policy

We will examine store investment efficiency depending on the potential conditions of the intended sites (e.g., whether urban or local and features of the opening site) while considering the implementation of stereoscopic 3D-based store/kitchen layout development, which pays attention not only to planar but also to the special utilization of store space commensurate with predictable high rents and new equipment based on onsite requests. Pivoting around our core concepts—development of urban-focused, energy-saving type stores; highly effective and efficient kitchen equipment according to unified store formats; and focused openings especially in areas in East Japan—we will accelerate new store openings by supporting the independent store opening program for employees. Apart from this normal formula, we will take into account other possibilities in the future, for example, M&As based on a spirit of coexistence and co-prosperity and opening stores located inside hotels and large commercial complexes such as shopping malls. We will increase domestic openings toward the achievement of our opening target of 800 stores by the end of March 2018 by putting these measures into practice.

b. Development of new businesses in product sales and overseas operations

While developing product sales operations through franchising umbrella agreements with national and local supermarkets, convenience stores, mail-order and/or other food-service corporations, as well as overseas development, we intend to expand business operations. All of these ideas constitute the next growth driver following the ongoing nationwide deployment and provide our employees with diverse potential: motivation, animation of the in-house atmosphere, recruiting and employment of excellent people, diversification of employees, the establishment of a new brand image and the pursuit of new targets and business formats.

2) Strengthening competitiveness

a. Sales ability enhancement

We will strive to improve, amend or abandon existing menus around the key policy of the enhanced use of domestic ingredients. As part of the Company's product development and sales promotion, all the directly operated and franchised stores will share original menus. In addition, we intend to develop new menus, including the development of side menus arranged in the Ohsho style of originally French, Italian, Turkish and Japanese dishes as a symbol of solidifying the slogan of "Theme Park of Dining." Such menu development efforts will include special menus for women and the elderly, premium menus, second flagship products and breakfast/midnight snack menus, which meet tailored customer needs by area. We intend to promote this strategy by creating high-value-added original products in collaboration with our plants for further contribution to increased earnings.

b. Productivity improvement

We will strive to restrict the break-even point in net sales with measures such as cost management, the systemized distribution of personnel, productivity improvement by leveraging the delivery of preformed *gyoza* and the central kitchen format, and better targeted capital investment. Meanwhile, labor-saving efforts will be pursued for store accounting operation that focuses on the enhanced use of POS register terminals.

c. Central kitchen policies

The basic policy of our central kitchen system is to keep alive the "umami" (the fifth taste sensation) that every foodstuff has in the primary processing process. We are active in reducing the number of onsite processes at stores for improved efficiency, processing healthy and hygienic foodstuffs and producing combined seasonings. Meanwhile, we will promote the visualization of the specific indices and schemes for managing labor productivity to manage cost targets by product item; reinforce cost control regarding ingredients and foodstuffs; promote human resource development through strengthened risk assessment, as well as the formulation/operation of a business continuity plan (BCP); and pursue the complete implementation of our "6S (Seiri, Seiton, Seiketsu, Shitsuke and Security, or tidying, keeping in order, sweeping, cleanliness, discipline and security)" slogan.

At the flagship Higashimatsuyama Plant, its products are anticipated to be delivered to all the Ohsho chain stores. At the same time, the latest fully automatic production system will ensure the plant's operations, which will be capable of producing and shipping all products that require more than 5-minute cooking time after an order is received at each store and maximizing the established delivery system for preformed gyoza. The plant also will be equipped with development and production systems to obtain halal certification of its products. Furthermore, we will proactively commit ourselves to the concentrated management of operations at all plants by leveraging the mutual supervision between the Purchasing Section and the R&C Department; the flexible and speedy procurement of excellent foodstuffs in terms of market quotations, quality and freshness; and ensuring safety and security as a food service chain by addressing innovative production and logistics for incessant cost reduction.

3) Establishing management basis

a. Labor management environment and human resource development

By establishing a career development program, we will conduct original training programs for store managers internally prepared under the direction of active store managers and senior employees. We will also streamline flexible training menus in response to onsite requests, put into practice part-timer development tools through revisions to the current part-timer career upgrading system and reinforce training activities based on the newly adopted personnel system. The intended training activities will basically include highly efficient and effective consulting by area managers with intensive courses at key stores, guidance on store operations for standardization, scheduling and/or efficiency improvement using the Store Manager Manuals and other manuals. In the course of such training activities, we encourage reforms and improvement of awareness among attending employees with regard to their compliance with relevant laws and regulations, social norms and corporate ethics. We will strengthen recruiting activities based on the new personnel system through enhanced employment activities to maintain a stable number of store staff and prepare for the possible vacancy of personnel. To be trusted as a company capable of making its employees and their family members happy, we will promote such essential tasks as compliance, improvement of the working environment and the optimal treatment according to each employee's contribution. We will also continue studies aimed at breaking through the issue of personnel shortages by preparing formats for employment continuity after age-limit retirement and for the effective use of aged people and/or foreigners. In addition, we will review the store manager's duties and increase the staffing of deputy store managers according to the store scale to establish a streamlined working environment and new personnel system.

b. Social contribution and environmental measures

We will examine the possibility of formulating comprehensive ESG/CSR reports and entering the agricultural business, and proactively address legal responses regarding the Act on Promotion of Recycling and Related Activities for Treatment of Cyclical Food Resources, the Act on the Rational Use of Energy and the Act on Promotion of Global Warming Countermeasures. We also will strive to operate stores in an eco-friendly manner and increase our corporate value by fulfilling our social responsibility.

c. Organization and governance

We will respond to the spirit of the Corporate Governance Code and swiftly address the recommendations in the report submitted by the third-party committee to establish optimal organizational systems and governance structure.

d. Financial and capital policies

We intend to effectively leverage financing from financial institutions with which the Company has business relationships to ensure stable funds by establishing a framework of overdrafts to cope with sudden capital demand. Thus, in addition to establishing firm financial strength to accommodate business opportunities, we will solidify our management base while improving the effects of investments and their efficiency with measures such as a study to effectively use treasury stock, returning profits to shareholders while maintaining a total return ratio of 100% and a dividend payout ratio of 40% or more, advanced depreciation of total assets and efficiency improvement in the use of procured funds.

(7) Changes in assets and income

(Millions of yen)

Accounting period	39th term	40th term	41st term	42nd term
Item	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	(current fiscal year) Fiscal year ended March 31, 2016
Net sales	74,307	76,222	75,772	75,317
Ordinary income	9,093	7,249	6,425	6,544
Net income	4,938	4,312	3,683	4,068
Basic earnings per share (yen)	244.62	213.64	187.19	211.39
Net assets	39,017	41,978	42,309	43,936
Total assets	59,268	62,021	63,554	62,014
Net assets per share (yen)	1,932	2,079	2,160	2,289
Equity ratio	65.8%	67.7%	66.6%	70.8%

(8) Principal business segment

Business segment	Description of business
Chinese food business	Operation of Chinese cuisine–based restaurants and sales of Chinese foodstuffs to franchisees

(9) Major offices and plants

Head office	Kyoto
Area headquarters	Tokyo and Kyushu (Fukuoka)
Plants	Kumiyama (Kyoto), Nishinoyama (Kyoto), Funabashi (Chiba), Kyushu (Fukuoka), Sapporo (Sapporo), and Higashimatsuyama (Saitama)
Stores	473 directly operated stores
	233 franchised stores

(10) Employees

Number of employees	YoY change	Average age	Average service years
2,000	Increase by 40	32.4	8.5

Note: Apart from the above number of employees, 156 temporary workers and 5,998 part-timers (average number of personnel during the fiscal year calculated in terms of eight work hours per day) are employed.

(11) Major lenders

Lender	Balance of borrowings (Millions of yen)
Sumitomo Mitsui Trust Bank, Limited	1,122
Mizuho Bank, Ltd.	1,100
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,100
Sumitomo Mitsui Banking Corporation	1,100
THE SHIGA BANK, LTD.	941
The Bank of Kyoto, Ltd.	941
The Nanto Bank, Ltd.	852

2. Status of Shares

(1) Authorized number of shares 90,000,000 shares

(2) Total number of shares issued 23,286,230 shares (including 4,100,059 shares of treasury stock)

(3) Number of shareholders 16,481 persons

(4) Major shareholders

Shareholder name	Number of the Company's shares held	Investment ratio
	(Thousands)	%
ASAHI BREWERIES, LTD.	2,053	10.7
Japan Food Business Co., Ltd.	1,400	7.3
Ariake Japan Co., Ltd.	1,100	5.7
The Master Trust Bank of Japan, Ltd.	988	5.2
Umeko Kato	611	3.2
Hiromi Kato	602	3.1
Japan Trustee Services Bank, Ltd.	587	3.1
BBH FOR FIDELITY LOW-PRICED STOCK FUND	538	2.8
Kato Asao International Scholarship Foundation	528	2.8
BBH FOR FIDELITY PURITAN TR: FIDELITY SR INTRINSIC OPPORTUNITIES FUND	350	1.8

Notes: 1. The number of the Company's shares held is rounded down to the nearest 1,000.
2. Although the Company has 4,100,000 shares of treasury stock, the Company is excluded from the above table. The treasury stock is excluded from the calculation of the investment ratio.

3. Company Officers

(1) Directors and Corporate Auditors

Name	Title	Positions, responsibilities, and significant concurrent positions
Naoto Watanabe	Representative Director and President	
Keiji Dohihara	Representative Director and Chairman	CFO
Masayuki Kamon	Senior Managing Director	Executive Officer and General Manager, Human Resources Department In charge of Sales Contract Department
Hideki Koreeda	Managing Director	Executive Officer and General Manager, General Affairs Department In charge of R&C Department
Motoki Sugita	Director	Executive Officer and General Manager, Sales Department #1 In charge of Building Department
Naoko Ikeda	Director	Director, Social Security Attorney Office Aozora Consulting Representative Director, Kabushiki Kaisha Aozora Consulting
Akihiko Inada	Director	Representative of Akihiko Inada CPA Office
Masayuki Watanabe	Director	Partner, Miyake & Partners Part-time lecturer, Seikei University Law School
Yutaka Nakamura	Corporate Auditor (full time)	
Kenryo Nakatani	Corporate Auditor	Representative, Kenryo Nakatani Tax Accountant Office
Yutaka Kiso	Corporate Auditor	Partner, Kitahama Partners Chairperson, Nara City Governance Surveillance Committee Director, Association of Certified Fraud Examiners

Notes:
1. Directors Naoko Ikeda, Akihiko Inada and Masayuki Watanabe are Outside Directors as stipulated in Article 2, Paragraph 15, of the Companies Act.
2. Corporate Auditors Yutaka Nakamura, Kenryo Nakatani and Yutaka Kiso are Outside Corporate Auditors as stipulated in Article 2, Paragraph 16, of the Companies Act.
3. Masakatsu Takemoto was elected as a substitute Corporate Auditor at the 41st Ordinary General Meeting of Shareholders held on June 26, 2015.
4. Director Akihiko Inada is qualified as a certified public and tax accountant and has considerable financial and accounting knowledge.
5. Corporate Auditor Kenryo Nakatani has thorough knowledge of taxation as a certified tax accountant and has considerable financial and accounting knowledge.
6. Naoko Ikeda was elected as a Director at the 41st Ordinary General Meeting of Shareholders held on June 26, 2015, and assumed the position thereof.
7. Yutaka Kiso was elected as a Corporate Auditor at the 41st Ordinary General Meeting of Shareholders held on June 26, 2015, and assumed the position thereof.
8. Kazuhisa Suzuki, Yoshihiro Takahashi, Masamichi Nonaka, Toshio Fujiki, Fumio Sugita and Kiyoshi Kato retired from the Director's position due to expiry of their term of office at the conclusion of the 41st Ordinary General Meeting of Shareholders held on June 26, 2015.
9. Kazuyuki Morisawa retired from the Corporate Auditor's position due to expiry of his term of office at the conclusion of the 41st Ordinary General Meeting of Shareholders held on June 26, 2015.
10. Directors Naoko Ikeda, Akihiko Inada and Masayuki Watanabe and Corporate Auditor Yutaka Kiso are designated as Independent Officers as stipulated by the Tokyo Stock Exchange.

(2) Outline of Limited Liability Agreement

The Company has established provisions regarding limited liability agreement for Directors (excluding Directors who have authority over operations) and Corporate Auditors.

The outline of such a limited liability agreement, which has been entered into between the Company and all the Outside Directors and Outside Corporate Auditors in accordance with the Articles of Incorporation of the Company, is as follows:

- The Outside Directors and Outside Corporate Auditors of the Company shall, after the conclusion of said limited liability agreement, be liable for the damages set forth in Article 423, Paragraph 1, of the Companies Act. The amount of such liability shall be up to ¥5 million or the minimum amount prescribed in the provision of Article 425, Paragraph 1, of the Companies Act, whichever is higher, as long as they perform their duties in good faith and without gross negligence.

(3) Remuneration, etc., for Directors and Corporate Auditors

Category	Number of persons provided	Amount of remuneration, etc., provided (Millions of yen)
Directors (Outside Directors included above)	14 (3)	266 (24)
Corporate Auditors (Outside Corporate Auditors included above)	4 (4)	20 (20)
Total	18	287

Notes:
1. The remuneration for Directors was determined to be within ¥300 million per year (including ¥30 million per year for Outside Directors) by a resolution adopted by the General Meeting of Shareholders held on June 26, 2015.
2. The remuneration for Corporate Auditors was determined to be within ¥40 million per year by a resolution adopted by the General Meeting of Shareholders held on June 26, 2015.
3. The basic policy regarding remuneration, etc., for Directors and Corporate Auditors is to determine appropriate remuneration levels for them by taking into account the business environment, operating performance, consistency with the treatment of ordinary employees and other factors while conforming with the principle of the remuneration system that contributes to enhancing corporate value.
   The total amount of the remuneration for Directors and Corporate Auditors has been determined by respective resolutions at the General Meeting of Shareholders. The allocation to each Director is decided by the Board of Directors through deliberations at the Compensation Advisory Committee, which is chaired by an Outside Director, whereas the allocation to each Corporate Auditor is determined through consultations among the Corporate Auditors. The remuneration for Directors consists of monthly compensation and bonus and will be paid in view of the Company's operating performance based on the content of the duties and position of the respective Directors. A certain amount to be contributed from such monthly compensation for Directors shall be used for purchases of the Company's own shares through the share ownership plan of directors and officers from the viewpoint of reflecting medium- to long-term operating results. Fixed amounts shall be paid to the respective Corporate Auditors from the perspective of ensuring high independence of their duties through consultations at the Board of Corporate Auditors.

(4) Outside Officers

1) Relationship between corporations at which the outside officers of the Company have their concurrent positions and the Company

The corporations have no special interests in the Company that might have an impact on the independence of supervision and audit.

2) Major activities of outside officers

Name	Title	Main activities
Naoko Ikeda	Director	Participated in all meetings of the Board of Directors held after her assumption of office during the fiscal year ended March 31, 2016; timely provided necessary expert opinions on agenda items, subjects of deliberations and other issues mainly from a professional viewpoint as a specified labor and social security

Name	Title	Main activities
		attorney.
Akihiko Inada	Director	Participated in all meetings of the Board of Directors during the fiscal year ended March 31, 2016; timely provided necessary expert opinions on agenda items, subjects of deliberations and other issues mainly from a professional viewpoint as a certified public and tax accountant.
Masayuki Watanabe	Director	Participated in all meetings of the Board of Directors during the fiscal year ended March 31, 2016; timely provided necessary expert opinions on agenda items, subjects of deliberations and other issues mainly from a professional viewpoint as a lawyer.
Yutaka Nakamura	Corporate Auditor (full time)	Participated in all meetings of the Board of Directors and all meetings of the Board of Corporate Auditors during the fiscal year ended March 31, 2016; timely provided necessary opinions on agenda items, subjects of deliberations and other issues.
Kenryo Nakatani	Corporate Auditor	Participated in all meetings of the Board of Directors and all meetings of the Board of Corporate Auditors during the fiscal year ended March 31, 2016; timely provided necessary expert opinions on agenda items, subjects of deliberations and other issues mainly as a certified tax accountant.
Yutaka Kiso	Corporate Auditor	Participated in all meetings of the Board of Directors and all meetings of the Board of Corporate Auditors held after his assumption of office during the fiscal year ended March 31, 2016; timely provided necessary expert opinions on agenda items, subjects of deliberations and other issues mainly from a professional viewpoint as a lawyer.

4. Accounting Auditor

(1) Accounting Auditor's Name

Deloitte Touche Tohmatsu LLC

(2) **Limited Liability Agreement**

The Company has established provisions regarding a limited liability agreement for the Accounting Auditor.

The outline of such a limited liability agreement, which has been entered into between the Company and the Accounting Auditor in accordance with the Articles of Incorporation of the Company, is as follows:

1) The Accounting Auditor shall be liable for damages in the following.
   The amount of such liability shall be up to ¥50 million or the amount that is obtained by multiplying the highest value of the totals of financial profits having been received or to be received in the respective business years as remuneration and in consideration of any other execution of duties during the tenure as the Accounting Auditor by 2, whichever is higher, unless there has been any act, intentional or by gross negligence, with regard to damage that the Company incurred in the course or as a result of the performance of said agreement by the Accounting Auditor.
2) The Company shall judge whether said act of the Accounting Auditor meets the requirement in 1) above, and notify the result to the Accounting Auditor as soon as possible.

(3) Accounting Auditor's Compensation, etc., for the fiscal year under review

	Amount paid
1) Compensation, etc., to the Accounting Auditor pertaining to the fiscal year ended March 31, 2016	¥39 million
2) Total amount of monetary and other economic benefits payable by the Company to the Accounting Auditor	¥56 million

Notes:
1. In accordance with the "Practical Guidelines regarding Collaboration with Accounting Auditors," which was publicly announced by the Japan Audit & Supervisory Board Members Association, the Board of Corporate Auditors of the Company examined the hours spent by audit item, change in audit compensation and the operating performance for the previous fiscal year. As a result, judging that the compensation amounts above are fair and reasonable, the Board of Corporate Auditors has given its consent, as set forth in Article 399, Paragraph 1, of the Companies Act, with regard to compensation, etc., to the Accounting Auditor.
2. Under the audit agreement between the Company and its Accounting Auditor, compensation for audits pursuant to the Companies Act and audits pursuant to the Financial Instruments and Exchange Law are not strictly distinguished from each other, and cannot be distinguished substantially. Consequently, the above amount in 1) includes their total.
3. The Company paid fees to the Accounting Auditor in relation to advice on the International Financial Reporting Standards (IFRS) and advice, etc., on the liquidation of a subsidiary in China, which fell under the non-audit services set forth in Article 2, Paragraph 1, of the Certified Public Accountants Act.

(4) Policy for determining the dismissal or non-reappointment of the Accounting Auditor

In case the Accounting Auditor does not perform audit duties properly or for other reasons the Company's Corporate Auditors determine that its termination or nonrenewal of appointment is necessary, the Company's Corporate Auditors will prepare the proposal of termination or nonrenewal of appointment of the Accounting Auditor. Based on the decision of the Corporate Auditors, the Board of Directors will submit the proposal to be included on the agenda of a General Meeting of Shareholders.

In the event that the Accounting Auditor is deemed to have met any of the grounds set forth in each Item of Article 340, Paragraph 1 of the Companies Act, based on unanimous approval of the Corporate Auditors, the Board of Corporate Auditors can dismiss the Accounting Auditor.

5. Systems to Ensure Proper Business Execution and the Progress of System Development

The Company resolved the Basic Policy on Establishing an Internal Control System at its Board of Directors meeting. The content and the progress of system development are as follows:

(1) System to ensure that Directors' and employees' execution of duties complies with the laws and regulations, and the Articles of Incorporation

- We shall formulate the Code of Conduct, which stipulates that awareness of compliance including the elimination of relations with antisocial forces should be raised, and keep the Directors and employees well-informed about said code via training sessions and the appropriation of relevant booklets. This approach has the purpose of ensuring that we can fulfill our social corporate responsibility by ensuring that Directors' and employees' execution of duties complies with laws and the Articles of Incorporation. In addition, we shall establish the Compliance Committee to streamline compliance-related provisions for internal education.
  We shall appropriately perform important operations such as store operation, etc., and report the operating reports without omission. We also shall streamline diverse rules such as the Duty Authority Rules aimed at fulfilling inter-organizational and intra-organizational mutual supervision in the decision-making and business execution processes.
  Furthermore, the Company shall establish a whistleblower system, an internal reporting system for reporting to or consulting with in-house staff in charge or a corporate legal counsel in case anyone identifies a compliance-related issue, to pursue the prevention, early detection and solution of such issues. The Company shall establish the Internal Auditing Department as an organization that is under the direct control of the Board of Directors and is independent from the business-executing departments/divisions. The Internal Auditing Department shall conduct internal audits to examine stores, plants, the head office and/or subsidiaries with regard to the compliance status of laws and regulations and internal regulations, as well as the content of business execution thereat. The Internal Auditing Department shall report the results of its audits to the President, the Board of Directors and the respective Corporate Auditors.

[Progress of system development]

The Company has disclosed the "Compliance Declaration" and the "Code of Conduct" internally and externally by posting them on its Web site. To raise awareness of compliance, we prepare training programs and hold training sessions. We also have formulated a basic policy regarding the elimination of relations with antisocial forces and posted it on the Web site and at each business establishment. Revisions to the rules are swiftly distributed to Department Chiefs, and compliance with the revised rules is requested at the meetings of various collegial bodies for their dissemination. To ensure the smooth functioning of the internal reporting system, some employees of the General Affairs Section, the General Affairs Department and outside corporate lawyers handle the contact with informants. Information transmitted through the system is reported to the Board of Directors for subsequent improvement and the prevention of a recurrence. The Internal Auditing Department formulates internal auditing plans and conducts various audits every fiscal year.

(2) System for storage and management of information related to Directors' execution of duties

- The Company shall store and record documents and other information related to Directors' execution of duties in an appropriate manner, in accordance with the relevant provisions of the Document Management Rules and the Electronic Management Rules.

[Progress of system development]

The documents associated with the Board of Directors are appropriately managed by specifying the maximum storage period and the department in charge and other matters in accordance with the above rules.

(3) Regulations and any other systems for management of risk of loss

- The Company shall draw out, select and analyze risks mainly at the Risk Management Conference in accordance with the Risk Management Rules, and determine response policies, and the relevant department/division in charge and training policies for each risk. At the same time, the Company shall conduct, as required, companywide or department-specific internal audits through the Internal Auditing Department. Each Department/Division Chief shall swiftly take corrective and/or improvement measures with regard to the problems that have been

revealed through the self-inspection process, internal audits and other means, and revise or abandon the relevant rules, etc., as the need arises.

- We shall establish a posteriori response system by formulating the Detailed Emergency Response Rules in advance to minimize the risk-related loss even if a risk surfaces.

[Progress of system development]

The Company has started the Crisis Management System Establishment Project to check and screen for company-wide risks in cooperation with an outside consulting firm. Moreover, the Company has prepared and distributed the "Basic Crisis Management Manual," the "PR Crisis Management Manual" and other manuals and has reviewed countermeasures and relevant situations to address priority risks.

(4) System to ensure that Directors' execution of duties is efficient

- The Company shall hold meetings of the Board of Directors once per month or ad hoc, as the need arises. The Board of Directors shall prepare statutory matters, as well as management targets including medium-term management policies and Ordinary budgeting, and monitor the status of business execution with reference to its prescribed plans. Each department shall prepare and execute its own specific measures toward the achievement of its targets.
- In addition to the meetings of the Board of Directors, the Company shall hold the meetings of the Executive Board, once per month regularly or ad hoc, as the need arises. The Executive Board shall thoroughly discuss important managerial projects to ensure efficient execution thereof. In addition, the Executive Board shall have departmental heads attend Board meetings, as the need arises, to ensure efficient business execution by receiving reports therefrom on executed/managed circumstances of the matters of concern and giving appropriate directions thereto.
- The Company shall promote assignment of authority in accordance with the relevant provisions of the Organization Rules, the Job Authorization Rules and the Regulations for Segregation of Duties to ensure prompt and efficient operations at the respective departments by clarifying the responsibilities.

[Progress of system development]

Monthly, quarterly and annual budgets, as well as the planning and/or achievement status of individual policies, are reported to the Management Committee for multifaceted review, which will ensure appropriate achievement and/or control of management targets.

(5) System to ensure proper business execution within the Company Group consisting of the Company and its subsidiaries

- The Company shall formulate the Affiliated Companies Management Rules to ensure proper business execution at its subsidiaries. The Company shall also establish the Dalian Business Division as an administrative supervisory department to provide necessary administrative services in response to the circumstances of this affiliate's operations. In addition, the Company shall, as the need arises, dispatch its Directors and/or other executives to its subsidiaries to understand and resolve problems thereat.
- The Internal Auditing Department shall regularly or ad hoc, as the need arises, audit such administrative supervisory structure to report the results to the President, the respective Directors and Corporate Auditors. Receiving reports from the Internal Auditing Department, the Corporate Auditors shall consult with each other at the Board of Corporate Auditors and provide proposals and/or recommendations to the Board of Directors, as necessary.

[Progress of system development]

The liquidation procedure of DALIAN OHSHO FOOD SERVICE CO., LTD., the sole subsidiary of the Company, was completed. The progress of the liquidation project, which was primarily led by a Director of the Company, has been reported to the Board of Directors to finalize an appropriate liquidation operation. As a consequence, the Company no longer has a subsidiary.

(6) Matters regarding employees in cases where a Corporate Auditor requests that the Company place several employees as assistants to support his/her duties and the independence of the employees concerned from Directors in such cases

- If a Corporate Auditor requests that the Company place several employees as assistants to support his/her duties, the Company shall consult with said Corporate Auditor and designate several employees who are affiliated with the Internal Auditing Department as dedicated

assistants who should support said Corporate Auditor.

- To ensure the independence of such employees as assistants, the decisions on authority over personnel affairs such as the assignment and transfer of said employees shall require prior consent of the Corporate Auditor concerned without being under the direction or subject to an order of any Director.

[Progress of system development]

The Internal Auditing Department also functions as the secretariat of the Board of Corporate Auditors. The personnel affairs and other matters involving staff employees of the Internal Auditing Department are therefore determined through consultations with the relevant Corporate Auditor.

(7) Systems to help Directors and employees report to any Corporate Auditors and other systems relating to reporting to the Corporate Auditors, as well as other systems to ensure effective audits by the Corporate Auditors

- In addition to cases where they have recognized any possible matters and/or misconduct that could cause significant damage to the Company and/or an act that has violated any important laws/regulations and the relevant provision(s) of the Articles of Incorporation, Directors and employees shall report to the Corporate Auditors such matters as agenda items submitted for deliberation at the Board of Directors, matters for consultations at the Management Committee, the status of the implemented internal audits, important monthly reports and other important matters, in accordance with laws and regulations.
- The Corporate Auditors shall attend the meetings of the Board of Directors to understand important decision-making processes and the status of business execution. Meanwhile, the Full-Time Corporate Auditors shall attend important conferences/meetings other than those of the Board of Directors, examine important authorized (*kessai*) documents and associated information regarding the performance of their duties and seek explanations from the Directors and employees, as necessary.
- The Corporate Auditors shall keep close and tight cooperation with the Internal Auditing Department and the Accounting Auditor to achieve their audit results. If deemed necessary, they shall be allowed to leverage external advisers such as attorneys and consultants.

[Progress of system development]

The Corporate Auditors obtain necessary information from Directors, employees and other personnel by attending Board of Directors, Management Committee and other meetings, as well as receive information from the Internal Auditing Department. In addition, the Corporate Auditors, the Accounting Auditor and the Internal Auditing Department meet on a quarterly basis to receive reports on accounting auditing policies and audit results from the Accounting Auditor, as well as for the exchange of information.

(8) System to ensure fairness of financial reporting

- To ensure the fairness of financial reporting in compliance with the Financial Instruments and Exchange Act, the Company has established its internal structure to streamline, operate and assess its internal control systems for financial reporting in accordance with relevant laws and regulations.

[Progress of system development]

The Internal Auditing Department independently assesses the internal control systems established by the respective departments. This department always communicates and coordinates with the Corporate Auditors and the Accounting Auditor to pursue the execution of efficient audits.

6. Basic Views on Eliminating Antisocial Forces and the Progress of System Development

(1) Basic views

The Company's basic policy is to adopt a resolute stand toward, and eliminate any and all relations with, antisocial forces and bodies threatening the order and security of civil society, and to never conduct any acts that encourage their activities.

(2) Development of an internal system toward eliminating antisocial forces

The Company specifies a basic policy toward antisocial forces in the Code of Conduct and makes the basic policy thoroughly known to all of its Directors, Corporate Auditors, executive officers and employees.
With respect to concrete measures, the General Affairs Department is designated as the administrative supervisory department to eliminate antisocial forces and plays a leading role in developing a system for said purpose.
With respect to the selection of business partners, etc., the Company has stipulated an "Implementation Guideline on the Investigation of Business Partners" and conducts prescribed investigations in accordance with the guideline, either at the beginning of transactions in the case of new business partners or periodically in the case of existing partners.
In addition, if involvement with antisocial forces is initially undetected during prior checks but later revealed after employment or transactions begin, the Company will address the fact by arranging for the suspension of the transactions or retirement from employment, and thereby endeavor to sever all connections with the antisocial forces.
In addition, the Company has joined a council on corporate defense countermeasures, etc., and collects and administers information in coordination with external professional and relevant agencies, etc., including lawyers and police agencies, and has established a system to solve problems that arise when confronted by undue demands from antisocial forces.

7. Basic Policy Regarding the Control of Joint-Stock Companies

(1) Basic policy regarding the Company's control

As the Company is a listed company, its shareholders and general investors can freely trade its shares on the markets. Accordingly, we believe that the decision of whether to accept another party's purchase offer or any similar action for the purpose of making a large-scale purchase of the Company's shares ultimately should be entrusted to its shareholders without denying such an offer categorically.

In recent years in Japan's capital market, however, we have witnessed an emerging trend of unilaterally forcing through such purchase offers or similar actions without pursuing approval of the management of the targeted companies. The Company believes that persons who control the decision making of the financial and business policies of the Company must be able to ensure and enhance the corporate value of the Company and the common interests of the shareholders over the medium to long term by completely understanding the basic management philosophy, the various sources of corporate value and the trust relationships among the various stakeholders. Therefore, the Company believes that persons who make inappropriate large-scale purchase offers or perform similar actions that might harm the corporate value of the Company or the common interests of the shareholders are not suited to control the decision making of the financial and business policies of the Company.

(2) Efforts to realize the basic policy regarding the Company's control

As specific efforts to enhance the corporate value of the Company and the common interests of the shareholders, the Company has implemented various measures to encourage numerous investors to continue further investments in the Company. The Company believes this approach contributes to the realization of the basic policy regarding the Company's control.

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Financial Statements

Non-Consolidated Balance Sheet

(Millions of yen)

Account	42nd Fiscal year (As of March 31, 2016)	Account	42nd Fiscal year (As of March 31, 2016)
ASSETS		**LIABILITIES**	
Current assets	**9,327**	**Current liabilities**	**13,829**
Cash and deposits	7,336	Accounts payable—trade	1,978
Accounts receivable—trade	370	Current portion of long-term loans payable	4,954
Merchandise and finished goods	142	Accounts payable—other	1,380
Raw materials	297	Accrued expenses	2,020
Prepaid expenses	397	Income taxes payable	993
Deferred tax assets	439	Provision for bonuses	857
Other	365	Other	1,645
Allowance for doubtful accounts	(21)	**Non-current liabilities**	**4,248**
Non-current assets	**52,686**	Long-term loans payable	2,779
Property, plant and equipment	**41,479**	Deferred tax liabilities on land revaluation	506
Buildings	15,058	Long-term guarantee deposited	185
Structures	1,108	Asset retirement obligations	703
Machinery and equipment	2,819	Other	73
Vehicles	56	**Total liabilities**	**18,078**
Tools, furniture and fixtures	797	**NET ASSETS**	
Land	21,501	**Shareholders' equity**	**44,671**
Construction in progress	138	**Capital stock**	**8,116**
Intangible assets	**41**	**Capital surplus**	**9,031**
Software	15	Legal capital surplus	9,026
Right of using facilities	26	Other capital surplus	4
Investments and other assets	**11,165**	**Retained earnings**	**36,497**
Investment securities	5,205	Legal retained earnings	940
Long-term loans receivable	74	Other retained earnings	35,557
Long-term prepaid expenses	85	Reserve of gains on insurance claims	25
Prepaid pension cost	414	Reserve for advanced depreciation of non-current assets	247
Deferred tax assets	1,126	General reserve	22,800
Guarantee deposits	4,250	Retained earnings brought forward	12,485
Other	68	**Treasury stock**	**(9,023)**
Allowance for doubtful accounts	(59)	**Valuation and translation adjustments**	**(735)**
		Valuation difference on available-for-sale securities	**3,055**
		Revaluation reserve for land	**(3,791)**
		Total net assets	**43,936**
Total assets	**62,014**	**Total liabilities and net assets**	**62,014**

Note: Figures presented in the financial statements are rounded down to the nearest million yen.

Non-Consolidated Statement of Income

(Millions of yen)

Account	42nd Fiscal Year (From April 1, 2015 to March 31, 2016)
Net sales	**75,317**
Cost of sales	22,503
Gross profit	**52,813**
Selling, general and administrative expenses	46,543
Operating income	**6,269**
Non-operating income	**399**
Interest and dividend income	47
Land and house rent received	65
Franchise chain accession fee	109
Other	176
Non-operating expenses	**124**
Interest expenses	40
Rent expenses	36
Donation for disaster relief	30
Cash over and short	13
Other	3
Ordinary income	**6,544**
Extraordinary income	**8**
Gain on sales of non-current assets	8
Extraordinary losses	**505**
Loss on retirement of non-current assets	82
Loss on sales of non-current assets	45
Impairment loss	252
Third-party committee's cost of investigation	123
Income before income taxes	**6,048**
Income taxes—current	2,018
Income taxes—deferred	(39)
Net income	**4,068**

Note: Figures presented in the financial statements are rounded down to the nearest million yen.

Non-Consolidated Statement of Changes in Net Assets

(From April 1, 2015, to March 31, 2016)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings					
						Other retained earnings				Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve of gains on insurance claims	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance as of April 1, 2015	8,166	9,026	4	9,031	940	26	247	22,800	10,620	34,634
Changes of items during period										
Provision of reserve of gains on insurance claims						0			(0)	—
Reversal of reserve of gains on insurance claims						(1)			1	—
Provision of reserve for advanced depreciation of non-current assets							6		(6)	—
Reversal of reserve for advanced depreciation of non-current assets							(5)		5	—
Dividends of surplus									(2,130)	(2,130)
Net income									4,068	4,068
Purchase of treasury stock										
Reversal of revaluation reserve for land									(74)	(74)
Net changes of items other than shareholders' equity										
Total changes of items during period	—	—	—	—	—	(1)	0	−	1,864	1,863
Balance as of March 31, 2016	8,166	9,026	4	9,031	940	25	247	22,800	12,485	36,497

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments	
Restated balance as of April 1, 2015	(7,311)	44,519	1,684	(3,894)	(2,209)	42,309
Changes of items during period						
Provision of reserve of gains on insurance claims		—				—
Reversal of reserve of gains on insurance claims		—				—
Provision of reserve for advanced depreciation of non-current assets		—				—
Reversal of reserve for advanced depreciation of non-current assets		—				—
Dividends of surplus		(2,130)				(2,130)
Net income		4,068				4,068
Purchase of treasury stock	(1,712)	(1,712)				(1,712)
Reversal of revaluation reserve for land		(74)		74	74	—
Net changes of items other than shareholders' equity			1,371	28	1,400	1,400
Total changes of items during period	(1,712)	151	1,371	102	1,474	1,626
Balance as of March 31, 2016	(9,023)	44,671	3,055	(3,791)	(735)	43,936

Note: Figures presented in the financial statements are rounded down to the nearest million yen.

Accounting Auditor's Audit Report on the Non-Consolidated Financial Statements (duplicated copy)

Independent Auditor's Report

May 17, 2016

To the Board of Directors
Ohsho Food Service Corp.

Deloitte Touche Tohmatsu LLC
Yukihiko Kimura (Seal)
Designated Limited Liability Partner,
Engagement Partner
Certified Public Accountant
Nobuyuki Nakata (Seal)
Designated Limited Liability Partner,
Engagement Partner
Certified Public Accountant

We have audited, pursuant to Article 436, Paragraph 2, Item 1, of the Companies Act, the non-consolidated financial statements, which consist of the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets, the significant accounting policies and other notes to non-consolidated financial statements and the supplementary schedules thereof of Ohsho Food Service Corp. (hereinafter referred to as the "Company") for the 42nd fiscal year from April 1, 2015, to March 31, 2016.

Management's Responsibility for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements and the accompanying supplementary schedules in accordance with accounting standards generally accepted in Japan. This responsibility includes designing and operating internal controls that management considers necessary for the preparation and fair presentation of non-consolidated financial statements and accompanying supplementary schedules that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements and the accompanying supplementary schedules from an independent viewpoint, based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit according to such plan to obtain reasonable assurance about whether the non-consolidated financial statements and the accompanying supplementary schedules are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and the accompanying supplementary schedules. The procedures selected and applied depend on the auditors' judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements and the accompanying supplementary schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and the accompanying supplementary schedules in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the accompanying supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditors' Opinion

In our opinion, the financial statements and supplementary schedules thereof referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2016, and the result of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Relationship of Interest

We have no interests in or relationships with the Company that are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Board of Corporate Auditors' Audit Report (duplicated copy)

Audit Report

Regarding the performance of duties by the Directors for the 42nd fiscal year from April 1, 2015, to March 31, 2016, the Board of Corporate Auditors hereby submits its audit report, which has been prepared upon careful consideration based on the audit report prepared by each Corporate Auditor.

1. Auditing Methods Employed by the Corporate Auditors and the Board of Corporate Auditors and the Substance Thereof

   (1) The Board of Corporate Auditors established auditing policies, allocation of duties and other relevant matters, and received reports from each Corporate Auditor regarding his or her audits and results thereof, as well as received reports from the Directors, other relevant personnel and the Accounting Auditor regarding performance of their duties, and sought explanations as necessary.
   (2) Each Corporate Auditor complied with the auditing standards of the Corporate Auditors established by the Board of Corporate Auditors; followed the auditing policies, allocation of duties and other relevant matters; communicated with the Directors, the Internal Auditing Department and other employees and any other relevant personnel; and made efforts to prepare the environment for information collection and audit, and, at the same time, conducted his/her audit in the following manner.
      1) Each Corporate Auditor attended the meetings of the Board of Directors and other important meetings; received reports from the Directors, employees and other relevant personnel regarding performance of their duties; sought explanations as necessary; examined important authorized documents and associated information; and studied the operations and financial positions at the head office and principal business offices.
      2) With respect to the system for ensuring that the performance of duties by the Directors as stated in the Business Report conforms to the related laws and regulations and Articles of Incorporation, and the system established based on the content of the resolutions of the Board of Directors and such resolutions regarding preparation of the system stipulated in Article 100, Paragraphs 1 and 3, of the Ordinance for Enforcement of the Companies Act (internal control system), each Corporate Auditor received regular reports from Directors, employees and other relevant personnel regarding the established status and progress of system development, requested explanations as needed and expressed opinions.
      3) With respect to the basic policy and each of the efforts that are stipulated in Article 118, Item 3 a) and b), of the Ordinance for Enforcement of the Companies Act and described in the Business Report, each Corporate Auditor examined the content thereof after taking into account the deliberations at the Board of Directors and other relevant organs.
      4) Each Corporate Auditor monitored and verified whether the Accounting Auditor maintained its independence and implemented appropriate audits, as well as received reports from the Accounting Auditor regarding the performance of its duties and sought explanations as necessary. In addition, each Corporate Auditor received notice from the Accounting Auditor that "the system for ensuring that duties are performed properly" (matters set forth in each item of Article 131 of the Ordinance for Corporate Accounting) had been established in accordance with the Product Quality Management Standards Regarding Audits (issued by the Business Accounting Deliberation Council (BACD) on October 28, 2005) and other relevant standards, and sought explanations, as necessary.

Based on the above methods, we examined the Business Report and supporting schedules thereof, as well as non-consolidated financial statements (the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets, and notes to non-consolidated financial statements) and supporting schedules thereof.

2. Results of Audit

(1) Results of audit of Business Report and other relevant documents

1) In our opinion, the Business Report and the supplementary schedules thereof are in accordance with the related laws and regulations, and Articles of Incorporation, and fairly represent the Company's condition.
2) We have found no evidence of wrongful action or material violation of related laws and regulations, nor of any violation with respect to the Articles of Incorporation, related to performance of duties by the Directors.
3) In our opinion, the content of the resolutions of the Board of Directors related to the internal control system is fair and reasonable. In addition, we have found no matters on which to remark regarding the description in the Business Report and the performance of duties by the Directors related to such internal control system.
4) We have found no matters to point out with respect to the basic policy on the personnel with control over decisions about the Company's policies on financial matters and business operations, which is described in the Business Report. In our opinion, each of the efforts that are stipulated in Article 118, Item 3 b) of the Ordinance for Enforcement of the Companies Act and described in the Business Report is in line with the relevant basic policy, does not impair the common interests of the Company's shareholders and is not intended to maintain the position of the Company's executives.

(2) Results of audit of non-consolidated financial statements and supplementary schedules thereof

In our opinion, the methods and results employed and rendered by Deloitte Touche Tohmatsu LLC are fair and reasonable.

May 20, 2016

Board of Corporate Auditors, Ohsho Food Service Corp.

Full-Time Outside Corporate Auditor	Yutaka Nakamura (Seal)
Outside Corporate Auditor	Kenryo Nakatani (Seal)
Outside Corporate Auditor	Yutaka Kiso (Seal)